



FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)
FEDERAL INSURANCE MITIGATION ADMINISTRATION (FIMA)
APPEAL DECISION

FEMA Flood Insurance Appeal Decision #C12

OVERVIEW

The policyholder filed an appeal on December 2019 alleging their flood insurance carrier (hereinafter “insurer”) improperly denied all their claim under the Standard Flood Insurance Policy (SFIP)¹ for damages to covered property arising from a flood event dated February 2019.²

In its review, FEMA found the following facts relevant:

- The policy was set to renew with effective dates of February 2019 through February 2020, with coverage limits of \$108,000 in building coverage and \$46,200 in personal property coverage.
- On February 2019, the policyholder presented a payment to the insurer for renewal of the policy by means an ACH Debit Transaction from a business account.
- On March 2019, three days after the flood event, the policyholder filed a claim with the insurer.
- On March 2019 an adjuster inspected the property and recorded a flood water level of 18 inches to the exterior and 14 inches to the interior.
- On March 2019 the ACH Debit Transaction for the renewal premium payment was canceled due to nonsufficient funds, because the system could not locate an account. The insurer issued a letter on the same day advising the policyholder and their insurance agent of the nonsufficient funds returned ACH Debit Transaction. The insurer canceled the policy indicating ACH Debit Transactions can only occur from personal accounts due to non-payment.
- On March 2019, within 30 days of receiving the notice of nonsufficient funds, the policyholder made an online credit card payment for the policy from a personal account. The insurer issued a revised declaration showing new effective dates of April 2019 to April 2020, due to application of the 30-day waiting period.
- On January 2020, the insurer denied the claim for the reported date of loss, citing the policy was not in force due to lack of premium payment.
- The policyholder appeals the insurer’s denial stating their payment was not late and they should be provided coverage because they attempted to make a payment within the 30-day grace period utilizing the pay.gov web site. With their appeal, the policyholder submitted a notification

¹ See 44 C.F.R. § 61.13 (2018); General Property Form available at 44 C.F.R. pt. 61 App. A(2) [hereinafter “SFIP”].

² The policyholder files this appeal under 44 C.F.R. § 62.20. The appeals process is available after the insurer issues a written denial, in whole or in part, of the policyholder’s claim. The policyholder’s appeal and related documents concerning the appeal, claim, or policy are on file with FEMA, Federal Insurance and Mitigation Administration, Federal Insurance, Policyholder Services Division, Appeals Branch [hereinafter “Appeal File”].

showing payment confirmed on pay.gov web site and confirmation the insurer received on March 2019.

RULES

The SFIP provides coverage to insured property only when there is evidence of a direct physical loss by or from flood on the claimed date of loss and the policyholder complies with all terms and conditions of the flood policy and have paid the correct premium.³

The SFIP requires receipt of the renewal premium payment within 30 days of the expiration date.⁴

ANALYSIS

The policyholder appeals the insurer's denial, stating their payment was not late and they should be provided coverage because they attempted to make a payment, within the 30-day requirement period of the renewal premium.

The SFIP provides coverage to insured property only when there is evidence of a direct physical loss by or from flood on the claimed date of loss and the policyholder complies with all terms and conditions of the flood policy and have paid the correct premium. The renewal premium must be received within 30 days of the expiration date of the policy. The policyholder attempted to make the renewal payment within the 30-day requirement using an ACH Debit Transaction from a business account. The insurer notified the policyholder of the premium rejection after the grace period expired. Once the policyholder was made aware that the pay.gov system would not accept an ACH Debit Transaction payment from a business account, they made the correct premium renewal payment using a personal credit card.

Based upon FEMA's review of the claim file documents and the policyholder's intentions of payment within the required conditions of the SFIP, FEMA overturns the denial and instructs the insurer to amend the effective date back to February 2019, and re-open the flood claim. Any adjustment of the claim remains under the direction of the insurer in accordance with the terms and conditions of the SFIP.

CONCLUSION

Based on the facts and analysis above, FEMA overturns the insurer's decision to deny coverage for their loss due to a policy not being in effect on the reported date of loss.

³ See SFIP (I), (II)(B)(12).

⁴ See SFIP (VII)(H)(2).